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Re	Pages including cover
Proposed Information Collection Request Submitted for Public Comment; on the Road to Retirement Surveys (FR Doc. 2016-04315)	7

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April 29, 2016

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Employee Benefits Security Administration
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**Re: Proposed Information Collection Request Submitted for Public Comment; on
the Road to Retirement Surveys (FR Doc. 2016-04315)**

Ladies and Gentlemen:

Teachers Insurance and Annuity Association ("TIAA") is pleased to share comments on the Department of Labor's proposed collection of information regarding a household survey to investigate retirement planning and decision-making. TIAA is a mission-driven company that seeks to provide those who serve others with the income they have earned and need in their retirement years. Helping our participants and their families prepare for a financially secure retirement requires us to understand how individuals evaluate the many sources of information and advice available to them for retirement planning. The Department's proposed study would address a critical gap in publicly available, longitudinal information concerning how individuals make financial decisions related to planning for retirement. TIAA applauds the Department's initiative.

In this letter, we offer our point of view on two issues the Department put forth in its request for comment:

1. "whether the collections of information are necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;" and
2. "how to enhance quality, utility, and clarity of any collected information."

As to the former, our answer is a resounding "yes." As to the second, we offer below specific recommendations. Our point of view is informed by the extensive retirement planning research that TIAA – and our research affiliate, the TIAA Institute – has conducted throughout our nearly 100 years of helping Americans prepare for retirement.

1. The data the Department intends to collect will have significant practical utility.**Key Points:**

- The proposed data collection would address a significant need for publicly available, nationally representative, reliable information on how people plan for and make decisions about their retirement needs.
- The proposed study's focus on understanding the sources and importance of investment information is critical given the historic shift in how people save for retirement.
- The longitudinal nature of the proposed data collection will facilitate an understanding of changes in financial literacy and decision making over time – an important consideration that is not feasible with current public data.

Given the historic shifts in the design of workplace-based retirement savings programs alongside publication of the Department's Conflict of Interest rule, it is more critical than ever for policymakers and financial service providers to understand how individuals plan for long-term financial security. The Department's proposed study will provide organizations like TIAA with important insights into factors that influence financial decisions for millions of Americans.

Currently, service providers interested in understanding retirement savings behavior can turn to several sources of data – both public (e.g., Study of Income and Program Participation, Current Population Survey) and proprietary. Organizations including the Federal Reserve Bank, the National Institute on Retirement, the Employee Benefits Research Institute, the Investment Company Institute, and LIMRA/LOMA have produced research studies concerning how much households are saving for retirement, the source of retirement plans, individuals' use of various retirement products, and readiness for retirement. These studies have provided significant insight into financial decisions individuals make. Yet there is a significant gap in our understanding of specific factors that influence individuals' decisions. For example, the current research literature contains only limited insight into how retirement savers access financial advice, what sources of information they find most valuable, and how the information savers receive influences financial decisions. Moreover, there are no current, publicly available studies that track financial literacy over time, looking at how financial literacy and behavior may change during a person's life. Similarly, while it is currently possible to determine how many people purchase lifetime income products, the proposed study would fill a gap by explaining whether individuals who rely on financial advisors are more likely to acquire lifetime income products than those who primarily rely on online sources of advice. At the most practical level, knowledge gained through the proposed data collection will enable providers like TIAA to develop services and refine education to best position our participants for a financially secure retirement.

This kind of information is especially important given the shift over the past generation in the way people save for retirement. For most Americans, defined contribution (DC) plans have replaced defined benefit (DB) plans as the core retirement savings vehicle.¹ With the transfer

¹ In 1980, 62% of private sector workers relied solely on a DB plan for their retirement income; by 2013, DB's share had fallen to 17%. Conversely, in 1980 only 12% of private sector workers relied solely on a DC plan, by 2013 it was 71%. Munnell, Alicia, *401(K)/IRA Holdings* (2013).

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of risk from the employer (in the case of a DB plan) to the employee (in the case of a DC plan), it becomes critically important to understand how people use information to make investment decisions and what approaches are most effective.

Sources of investment information can range from family and friends to workplace programs to investment professionals. But there are currently no publicly available studies that investigate what sources of information and advice are most important in informing individuals' financial decisions. Consequently, companies like TIAA have undertaken their own studies to better understand the decisions retirement savers make.² But, these studies are expensive and often inaccessible to the general research community without payment. Studies conducted or commissioned by retirement providers or advocacy organizations are often viewed as less objective – and therefore carry less weight with policymakers and the public. The Department's proposed study would remedy these concerns by providing free, publicly available, reliable data that can serve as a common platform to inform the retirement policy dialogue.

Finally, the longitudinal nature of the Department's proposed study is critically important for measuring changes in attitudes and behavior. For instance, as the retirement marketplace changes, it will be increasingly important to understand how individuals' approaches to financial planning and decision-making changes. But current studies and datasets do not track respondents over time. This challenge would be directly addressed through the Department's proposed collection of information.

2. Suggestions for improving the quality, utility, and clarity of the information to be collected

Key Points:

- It would be useful if questions about advice and planning included a greater focus on how individuals distinguish between education and advice. Questions regarding respondents' understanding of fees and what fees pay for would also be informative.
- We suggest a deeper investigation of default investment alternatives and respondents' understanding of Target Date Funds and other default options.
- The Financial Literacy Section would be strengthened by additional questions about understanding and expectations of lifetime income solutions.

TIAA has reviewed the materials provided by the Department, including the proposed survey questions. Overall, we are impressed with the breadth and depth of information the study proposed to collect. But the information's usefulness for providers like TIAA would be enhanced if the questions probed deeper in several specific areas. Below, we respectfully offer several suggestions for improving the practical utility of the information collected.

² For instance, the TIAA 2014/2015 Survey Initiative conducted online surveys with 1000 employed adults who contributed to their employers' retirement plans. Topics covered included the importance of advice, individuals' understanding of lifetime income options, utilization of IRAs, and understanding of available investment options. Separate TIAA surveys have also focused on issues important to workers nearing retirement, young adults entering the workforce, and women.

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Advice and Planning

TIAA is pleased that the study focuses on sources of information individuals use when making financial decisions. But it would be more helpful if the survey also probed how respondents distinguish between information that is *educational* and opposed to *advice*. Questions might probe whether respondents:

- see a difference in the information they obtain from online sources versus information they receive from an investment professional;
- place different weight on information they receive by phone than information from a face-to-face meeting; and
- differentiate the quality of the information they receive (which is particularly important as the number of channels to receive information increases).

The Department's questions regarding the fees for advice are critically important. Beyond understanding the *amount* individuals pay for advice, it is important also to assess the extent to which individuals understand what they are paying for. If individuals are not paying for advice out-of-pocket, do they understand there may be fees associated with investment choices? It would be particularly useful to observe how respondents' answers change over time with the implementation of new disclosures under the Conflict of Interest rule. Additionally, we would find useful knowing whether respondents perceive differences in the quality of advice they receive for a fee versus the advice they receive with no out-of-pocket costs.

Employee Benefits

We are pleased that the Department intends to collect information about retirement plans that rely on default investment alternatives. We note that the current Qualified Default Investment Alternative safe harbor has led to a significant increase in the number of plans relying on Target Date Funds (TDFs) as the default investment. We encourage the Department to add questions that ascertain respondents' understanding of TDFs as an investment option alongside individuals' interest in other investments, such as those that include lifetime income guarantees. While current regulations emphasize participants' ability to withdraw their money, policymakers and providers would be well-served by understanding whether participants would forgo some of that immediate access in exchange for guarantees of future income.

Financial Literacy and Planning

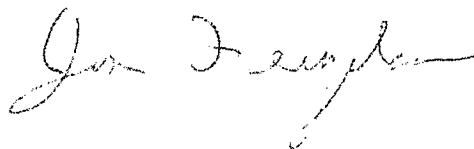
The Department's proposed study includes a strong set of questions concerning respondents' financial literacy. But the study would benefit from additional questions concerning life events critical for making a financial plan. This would provide a more comprehensive view of individuals' overall financial well-being which plays a critical role in people's ability to plan for save for retirement. For instance, in our own research, TIAA has found that two in three pre-retiree men underestimate the life expectancy of the average 65-year-old man. It

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would also be useful to better understand how respondents think about future health needs and the extent to which financial plans include considerations of long-term healthcare costs. Given the Department's stated priority of increasing the utilization of lifetime income products³, we would also recommend that the planning suite of questions include a more in-depth look at respondents' understanding of annuities and other lifetime income products, including "Do individuals know how much monthly income they will have in retirement and will it last a lifetime?" In our experience working with plan participants, estate and tax planning are often important additional considerations. Therefore, we recommend that the study also include more questions related to estate- and long-term tax planning. Finally, the financial planning section would be strengthened by adding questions about respondents' current home ownership status and their long-term housing plans, especially in retirement. These additions will help create a more comprehensive picture of the factors people consider as they create a plan for their retirement savings.

TIAA appreciates the opportunity to review and comment on this Information Collection Request. We would be pleased to discuss these comments with representatives of the Department.

Sincerely,



Jonathan E. Feigelson
Senior Managing Director, General Counsel & Head of Regulatory Affairs & Policy

³ A Department news release states: "As Americans live longer and pensions increasingly trend away from the traditional defined-benefit structure that provides a stream of guaranteed income for the duration of a retiree's life, improving access to lifetime income options is an important way to help retirees manage their savings." EBSA, US Labor, Treasury Departments act to enhance retirement security for an America built to last (February 2, 2012), available at: <http://www.dol.gov/opa/media/press/ebsa/EBSA20111653.htm>.

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About TIAA

Teachers Insurance and Annuity Association of America ("TIAA") is the leading provider of retirement services in the not-for-profit and K-12 markets and a global asset manager with more than \$854 billion in assets under management. The organization was founded nearly a century ago with the mission to "serve those who serve others" and "aid and strengthen" our client institutions. TIAA was formed by the Carnegie Foundation for the Advancement of Teaching in 1918, is incorporated as a stock life insurance company in the State of New York and operates on a not-for-profit basis. The College Retirement Equities Fund ("CREF") – the world's first variable annuity – was created in 1952 to give retirement savers the ability to invest in equities and reduce their exposure to inflation risk.

Throughout its history, TIAA has helped millions of Americans achieve financial well-being and a secure retirement. Today, TIAA is a Fortune 100 company with 12,700 employees and 153 offices nationwide, serving 5 million individuals and over 16,000 institutions. As TIAA works to fulfill its mission in the 21st century, we have grown our asset management capabilities, becoming a four-time winner of the Lipper Award for Best Overall Large Fund Company in 2012, 2013, 2014, and 2015, the world's largest agriculture investor, and the world's second-largest commercial real estate manager. We have undertaken this growth to support and enable the core focus of our business: helping the people we serve achieve a financially secure retirement. We believe that focus, along with our nonprofit heritage and unique mission, set us apart in the financial services industry.

Our unique corporate structure allows us to focus our efforts on successful retirement outcomes for participants. TIAA has no outside shareholders, other than our Board of Overseers, which is a not-for-profit entity. Importantly, according to TIAA's corporate charter, TIAA functions without profit to the corporation or its shareholders. CREF, a companion organization, is operated at cost. That means that TIAA can use operating earnings to fortify the overall organization. As a result, our corporate interests are aligned with those of our clients – both at the plan and individual investor level.

Today TIAA offers to both plan sponsors and IRA investors a diversified array of ten annuities, proprietary mutual funds advised by an affiliate, and non-proprietary mutual funds from scores of different fund families. We believe we act in the best interest of plan participants and IRA owners in any interaction with them – whether we are selling these products, educating people, or providing fiduciary advice, the products are designed to be in their best interests. They provide our participants with the security they need in retirement. The TIAA employees who market and sell these products to the plans we recordkeep and to our plan participant and IRA clients are not paid commissions.

Our clients largely use defined contribution plans as their primary retirement vehicles, and understand the value of lifetime income vehicles and our TIAA and CREF annuities. TIAA drives results – in 2014 we paid \$4.8 billion to retired clients, including 30,000 annuitants over the age of 90.